

STATE OF INDIANA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL AND GAS

IN RE: **HAMMELMAN D3-35HD DRILLING UNIT**

PETITION OF ATLAS ENERGY INDIANA, LLC, FOR THE INTEGRATION OF INTERESTS LOCATED IN SECTION 35, TOWNSHIP 5 NORTH, RANGE 8 WEST, KNOX COUNTY, INDIANA

**PETITION FOR INTEGRATION OF INTERESTS**

**COMES NOW**, Atlas Energy Indiana, LLC, 10691 East Carter Road, Traverse City, Michigan 49684 ("Petitioner"), by attorney Karen J. Anspaugh, and pursuant to IC 14-37-9-1 and other applicable laws enacted by the State of Indiana to prevent waste and to avoid the drilling of unnecessary wells, respectfully petitions the Department of Natural Resources, Division of Oil and Gas ("Division") to require the integration of all interests in the oil, gas and associated hydrocarbons and to develop a single unit.

In support thereof, Petitioner states as follows:

1. Petitioner intends to seek a permit from the Division to approve the **HAMMELMAN D3-35HD DRILLING UNIT**, comprised of the West Half of the East Half of Section 35, Town 5 North, Range 8 West, Knox County, Indiana, containing 160 acres, more or less ("Established Drilling Unit"). Said Established Drilling Unit is in an area subject to the Official United States Public Lands Survey by the rectangular surveying system for the State of Indiana. Further, Petitioner established the Hammelman D3-35HD Pooled Unit containing 281.4 acres, more or less ("Pooled Unit"), described as follows:

Section 35, Township 5 North, Range 8 West, Knox County, Indiana

- *The West Half of the East Half, part of the Northeast Quarter of the Northeast Quarter, the Southeast Quarter of the Northeast Quarter and the East Half of the Southeast Quarter*
2. The unleased parcels subject to this Petition are labeled herein as Tract 100-006, containing 15.00 acres, more or less, and Tract 100-007, containing 5.00 acres, more or less ("Separately Owned Interest"). The leased parcels located in the Pooled Unit ("Leased Parcels") together contain 261.40 acres.
  3. The Separately Owned Interest is owned by the following parties ("Non-Consenting Owners"):

**Kevin L. Hammelman and Linda D. Hammelman**  
**14896 East Hammelman Road**  
**Edwardsport, Indiana 47528**

4. The following described exhibits are attached to this Petition and are incorporated herein:
- Exhibit A-1: Legal Description of Separately Owned Interest
  - Exhibit A-2: Legal Description of Leased Parcels
  - Exhibit B-1: Map of Pooled Unit and Well Configuration
  - Exhibit B-2: Enlargement of Tract 400-010 and Tract 400-014
  - Exhibit C: Oil and Gas Lease Form Utilized in Project Area
  - Exhibit D: Division of Gas Ownership Interest Spreadsheet
  - Exhibit E: Contact Report Summarizing Lease Attempts
  - Exhibit F: Depiction of Well Site Location
  - Exhibit G: Application for Well Permit
  - Exhibit H: Declaration of Pooled Unit
5. Exhibit A-1 sets out the legal descriptions pertaining to the Separately Owned Interest and Exhibit A-2 sets out the legal descriptions pertaining to the Leased Parcels.
6. Exhibit B-1 and Exhibit B-2 are maps that depict the Separately Owned Interest, the Leased Parcels and the Pooled Unit, including the surface location, path, total length and total depth of the horizontal well bore.
7. Petitioner owns valid and operative Oil and Gas Leases ("Operative Leases") covering all of the oil, gas and associated hydrocarbons underlying the Leased Parcels. Exhibit C is a sample Oil and Gas Lease form utilized by Petitioner in the project area.
8. Petitioner intends to drill a Geologic or Structure Test Well on the Established Drilling Unit, being a single horizontal well into the New Albany Shale, which is anticipated to produce natural gas and the constituents thereof.
9. Natural gas and associated hydrocarbons are reasonably believed to underlie the Pooled Unit. It is also a reasonable belief that natural gas and associated hydrocarbons can be economically produced by drilling and operating a well.
10. The Separately Owned Interest is situated so as to constitute an integral and necessary part of the Established Drilling Unit as described in 312 IAC 16-5-3(c).
11. The Operative Leases contain terms which are standard in the industry and commonly utilized in the project area, including a royalty rate of one-eighth (1/8th) and a primary term of five (5) years. Landowners in the general vicinity of the Pooled Unit are customarily compensated with a lease-signing bonus between twenty dollars (\$20.00) and thirty-five dollars (\$35.00) per acre.

12. The Operative Leases contain a pooling clause granting Petitioner the right and power to pool or combine the acreage covered thereby with other lands for the production of oil, gas and other hydrocarbons.
13. The Operative Leases contain terms giving the owner of each tract of land therein an equitable share of the net production of oil, gas and other hydrocarbons in the communitized unit over and above that which may be used or consumed for production or development purposes. Said net production share is based upon the ratio between tract acreage and the total acreage of the communitized unit. Production allocation shall be disbursed as if said production was generated from a well drilled on that tract.
14. The terms contained in the pooling clause of the Operative Leases provide the most just, reasonable and equitable method for sharing the production of oil, gas and other hydrocarbons from the Pooled Unit, to wit:

Operations upon and production from the unit shall be treated as if such operations were upon or such production were from the Land, whether or not the well or wells are located thereon. The entire acreage within a unit shall be treated for all purposes as if it were covered by and included in this lease except that the royalty on production from the unit shall be as below provided and except that in calculating the amount of any shut-in gas royalties, only that part of the acreage originally leased and then actually embraced by this lease shall be counted. With respect to the production from the unit, Lessee shall pay Lessor, in lieu of other royalties thereon, only such proportion of the royalties stipulated herein as the amount of Lessor's acreage hereunder which is placed in the unit, or his royalty interest therein on an acreage basis, bears to the total acreage in the unit.

15. Exhibit D sets out ownership information pertaining to both the Separately Owned Interest and the Leased Parcels.
16. Petitioner has repeatedly contacted the owner of the Separately Owned Interest and has diligently attempted to obtain an Oil and Gas Lease or consent to voluntarily integrate their interest with the Leased Parcels. Exhibit E is a Contact Report that summarizes said attempts.
17. Petitioner now desires to exercise its rights granted under the pooling clause contained in the Operative Leases, to explore for natural gas and associated hydrocarbons thereunder. Petitioner is being prevented from doing so by the existence of the Separately Owned Interest.
18. Petitioner is prepared to pay all costs associated with the drilling and abandonment of the well in the event the same is found to be a dry hole.


19. Petitioner is utilizing, with the permission of the pertinent landowners, a portion of the surface within the Established Drilling Unit for a drill pad, measuring approximately 250 feet by 250 feet. An access road measures 30 feet wide by 125 feet long. No other surface structures or facilities are present. Exhibit F is a depiction of the well site location, which portrays present and proposed surface structures and facilities.
20. Petitioner has executed an "Authority for Expenditure" that details the costs associated with drilling and operation of the well. The Authority for Expenditure will be provided to Division with this Petition. Division is authorized by Petitioner to provide a copy to all persons desiring to participate in the costs of drilling and operation of the well.
21. If Division does not require the integration of the Separately Owned Interest in the Established Drilling Unit, the natural gas and associated hydrocarbons thereunder cannot be economically and efficiently extracted, correlative rights cannot be protected and waste and the drilling of unnecessary wells will occur.
22. Division has the right and power, pursuant to the provisions of IC 14-37-9-1 et seq., to require such integration "upon reasonable terms that give the owner of each tract an equitable share of oil and natural gas in the unit or pool."

WHEREFORE, Petitioner respectfully moves Division, after any such notice and hearing as may be required by law, to issue an "Order for the Integration of Interests" to effectuate the following:

1. Integrate the Separately Owned Interest with the Leased Parcels as one of the following:
  - A) A royalty owner upon the terms and conditions specified in the Operative Leases.
  - B) A participating owner who pays their share of the estimated well costs and receives their proportionate share of production; or
  - C) A non-participating owner who pays their share of the well costs on a limited basis, not including up front costs, and who is compensated a one-eighth (1/8th) royalty interest until the operator has recovered the Non-Consenting Owner's share of drilling and operating costs plus compensation for carrying the risk of a dry hole. Thereafter, the non-participating owner shall receive a proportionate share of production.
2. Designate Petitioner as the operator of the Established Drilling Unit for the development and operation thereof; and
3. Implement any further terms and provisions in accordance with the law of the State of Indiana that Division may, in its discretion, deem desirable and proper.

Respectfully submitted,

Atlas Energy Indiana, LLC

By: 

Date: 10/19/09

Karen J. Anspaugh #18975-49  
Post Office Box 4212  
Traverse City, Michigan 49685  
231-228-2218  
Attorney for Petitioner

For Notification:

Atlas Energy Indiana, LLC  
Attn: Paul A. Domagalski  
10691 East Carter Road  
Traverse City, Michigan 49684

**EXHIBIT "A-1"**  
**DESCRIPTION OF SEPARATELY OWNED INTEREST**  
Hammelmann D3-35HD Pooled Unit  
Part of the East Half of Section 35, Town 5 North, Range 8 West

**TRACT 100-006**

*The South Half of the Northwest Quarter of the Northeast Quarter of Section 35, Township 5 North, Range 8 West, containing twenty (20) acres, more or less;*

*EXCEPTING THEREFROM: A part of the South Half of the Northwest Quarter of the Northeast Quarter of Section 35, Township 5 North, Range 8 West, described as follows:*

*Beginning at the Southeast corner of the Northwest Quarter of the Northeast Quarter of said Section; thence West 330 feet along the South line of the Southeast Quarter of the Northwest Quarter of the Northeast Quarter of said Section; thence North 660 feet in a direct line to the Northeast Quarter of said Section; thence East 330 feet on the North line of the Southeast Quarter of the Northwest Quarter of the Northeast Quarter; thence South 660 feet along the East line of the Southeast Quarter of the Northwest Quarter of the Northeast Quarter of said Section to the place of beginning, containing 5.00 acres.*

*Containing after said exception, 15 acres, more or less.*

**TRACT 100-007**

*A part of the South Half of the Northwest Quarter of the Northeast Quarter of Section 35, Township 5 North, Range 8 West, described as follows:*

*Beginning at the Southeast corner of the Northwest Quarter of the Northeast Quarter of said Section; thence West 330 feet along the South line of the Southeast Quarter of the Northwest Quarter of the Northeast Quarter of said Section; thence North 660 feet in a direct line to the Northeast Quarter of said Section; thence East 330 feet on the North line of the Southeast Quarter of the Northwest Quarter of the Northeast Quarter; thence South 660 feet along the East line of the Southeast Quarter of the Northwest Quarter of the Northeast Quarter of said Section to the place of beginning, containing 5.00 acres.*

**EXHIBIT "A-2"**  
**DESCRIPTION OF LEASED PARCELS**  
Hammelman D3-35HD Pooled Unit  
Part of the East Half of Section 35, Town 5 North, Range 8 West

If instruments of record specify the amount of acreage contained in a parcel, the documented amount remains as a part of the following descriptions. If instruments of record do not specify the amount of acreage contained in a parcel, causing the Petitioner to calculate the same, the calculated amount is placed in brackets after the description.

The notations in brackets that identify the parcel being excepted from the description are added by the Petitioner and do not appear in the original instrument.

**TRACT 100-003**

*The North Half of the Northwest Quarter of the Northeast Quarter of Section 35, Township 5 North, Range 8 West, **containing 20 acres**, more or less.*

**TRACT 100-005**

*All that part of the Northeast Quarter of the Northeast Quarter of Section 35, Township 5 North, Range 8 West, lying East of the Freelandville and Edwardsport Road, **containing 1.4 acres**, more or less.*

**TRACT 100-011**

*Twenty-Five (25) acres of even width off of the West side of the Southwest Quarter of the Northeast Quarter of Section 35, Township 5 North, Range 8 West, described as follows:*

*Beginning at the Northwest corner of said Quarter Quarter; thence East 50 rods; thence South 80 rods; thence West 50 rods; thence North 80 rods to the place of beginning, **containing 25 acres**, more or less.*

**TRACT 100-012**

*Part of the Southwest Quarter of the Northeast Quarter of Section 35, Township 5 North, Range 8 West, described as follows:*

*Beginning at the Northeast corner of said Quarter-Quarter Section; thence West 30 rods to the Northeast corner of Gottlieb Hammelman's 25 acre tract; thence South 20 chains to Hammelman's Southeast corner; thence East 30 rods to the Southeast corner of said Quarter-Quarter Section; thence North 20 chains to the place of beginning, **containing 15 acres**, more or less.*

**TRACT 100-013**

*The Southeast Quarter of the Northeast Quarter of Section 35, Township 5 North, Range 8 West, **containing 40 acres**, more or less.*

**TRACT 400-010**

That part of the following described parcel located in Section 35, Township 5 North, Range 8 West:

*Part of the Northeast Quarter of Southeast Quarter of Section 35, Township 5 North, Range 8 West, and part of the Northwest Quarter of the Southwest Quarter of Section 36, Township 5 North, Range 8 West, described as follows:*

*Beginning in the center of the Edwardsport and Freelandville Road East 1.75 chains and South 20.71 chains from the Northwest corner of the Southwest Quarter of the Northwest Quarter of said Section 36 (witness an iron pin South 86 degrees 30 minutes West 25.0 feet); thence South along the center of said road 230 feet (witness an iron pin West 20.7 feet); thence West, 200.0 feet to an iron pin; thence North, 218.0 feet to an iron pin; thence North 86 degrees 30 minutes East, 200.4 feet to the place of beginning, **containing 1.03 acres**, more or less.*

**[Containing 0.43 acres, more or less, in Section 35]**

**Note:** The description of Tract 400-010 does not indicate what portion of the acreage contained therein is located in Section 35 and what portion is located in Section 36. According to Deed Plotter, 0.43 acres of said parcel are located in Section 35 and 0.60 acres of said parcel are located in Section 36.

**TRACT 400-014**

That part of the following described tract located in Section 35, Township 5 North, Range 8 West:

*Part of the Northeast Quarter of the Southeast Quarter of Section 35 and part of the Northwest Quarter of the Southwest Quarter of Section 36, Township 5 North, Range 8 West, described as follows:*



*Beginning in the center of the Edwardsport and Freelandville Road East 1.75 chains and South 19.94 chains from the Northwest corner of the Southwest Quarter of the Northwest Quarter of said Section 36 (witness an iron pipe West 25.0 feet); thence South 51.0 feet along said road; thence South 86 degrees 34 minutes West 200.4 feet to an iron pin; thence South 218.0 feet to an iron pin; thence East 200.00 feet to the center of aforesaid road; thence South 10.0 feet along said road (witness an iron pin 25.0 feet); thence West 305.0 feet to an iron pin; thence North 03 degrees 20 minutes West 124.5 feet to an iron pin; thence North 89 degrees 39 minutes West 159.5 feet to an iron pin; thence North 07 degrees 02 minutes East 167.0 feet to an iron pin; thence East 451.3 feet to the place of beginning, containing 1.617 acres, more or less.*

**[Containing 1.467 acres, more or less, in Section 35]**

**TRACT 400-017**

*The Northwest Quarter of the Southeast Quarter of Section 35, Township 5 North, Range 8 West, containing 40 acres, more or less.*

**TRACT 400-018**

*The Northeast Quarter of the Southeast Quarter of Section 35, Township 5 North, Range 8 West, containing 40 acres, more or less.*

EXCEPTING THEREFROM that part of the following described parcel located in Section 35, Township 5 North, Range 8 West:

*Part of the Northeast Quarter of the Southeast Quarter of Section 35, Township 5 North, Range 8 West, and part of the Northwest Quarter of the Southwest Quarter of Section 36, Township 5 North, Range 8 West, described as follows:*

*Beginning in the center of the Edwardsport and Freelandville Road East 1.75 chains and South 20.71 chains from the Northwest corner of the Southwest Quarter of the Northwest Quarter of said Section 36 (witness an iron pin South 86 degrees 30 minutes West 25.0 feet); thence South along the center of said road 230 feet (witness an iron pin West 20.7 feet); thence West, 200.0 feet to an iron pin; thence North, 218.0 feet to an iron pin; thence North 86 degrees 30 minutes East, 200.4 feet to the place of beginning, **containing 1.03 acres, more or less. [Said exception being Tract 400-010, containing 0.43 acres, more or less, in Section 35]***

ALSO EXCEPTING THEREFROM that part of the following described parcel located in Section 35, Township 5 North, Range 8 West:

*Part of the Northeast Quarter of Southeast Quarter of Section 35, Township 5 North, Range 8 West, and part of the Northwest Quarter of the Southwest Quarter of Section 36, Township 5 North, Range 8 West, described as follows:*

*Beginning in the center of the Edwardsport and Freelandville Road East 1.75 chains and South 19.94 chains from the Northwest corner of the Southwest Quarter of the Northwest Quarter of said Section 36 (witness an iron pipe West 25.0 feet); thence South 51.0 feet along said road; thence South 86 degrees 34 minutes West 200.4 feet to an iron pin; thence South 218.0 feet to an iron pin; thence East 200.00 feet to the center of aforesaid road; thence South 10.0 feet along said road (witness an iron pin 25.0 feet); thence West 305.0 feet to an iron pin; thence North 03 degrees 20 minutes West 124.5 feet to an iron pin; thence North 89 degrees 39 minutes West 159.5 feet to an iron pin; thence North 07 degrees 02 minutes East 167.0 feet to an iron pin; thence East 451.3 feet to the place of beginning, containing 1.617 acres, more or less. [Said exception being Tract 400-014, containing 1.467 acres, more or less, in Section 35]*

**[Containing after said exceptions, 38.103 acres, more or less]**

**TRACT 400-019**

*The South Half of the Southeast Quarter of Section 35, Township 5 North, Range 8 West, containing 80 acres, more or less.*

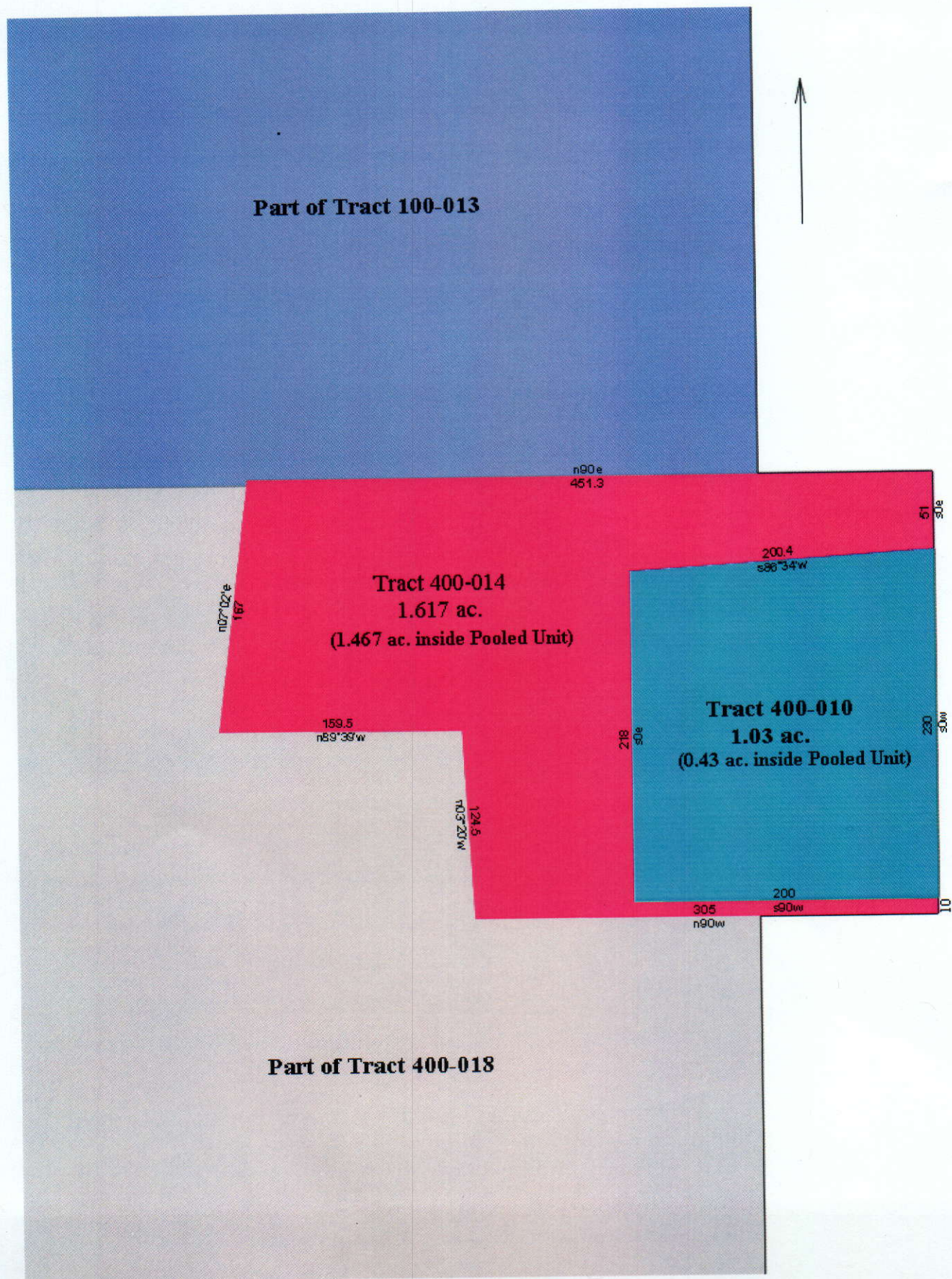
**EXHIBIT B-1**  
**DESCRIPTION OF LEASED PARCELS**  
**Hammelmann D3-35HD Pooled Unit**  
Part of the East Half of Section 35, Town 5 North, Range 8 West





**EXHIBIT B-2**  
**DESCRIPTION OF LEASED PARCELS**  
**Hammelman D3-35HD Pooled Unit**

Tract 400-014 and Tract 400-010, Section 35, Town 5 North, Range 8 West



**EXHIBIT "C"**  
**Sample Oil and Gas Lease Utilized in Vicinity**

**OIL AND GAS LEASE**  
**(PAID UP)**

THIS AGREEMENT is made as of the \_\_\_\_ day of \_\_\_\_\_, 2009, by and between \_\_\_\_\_, hereinafter called Lessor (whether one or more), and Atlas Energy Indiana, LLC, 10691 East Carter Road, Suite 201, Traverse City, Michigan 49684, hereinafter called Lessee.

1. Lessor, for and in consideration of ten dollars (\$ 10.00), and the covenants and agreements of the Lessee hereinafter contained, the receipt and sufficiency of which is hereby acknowledged, does hereby grant, lease and let unto Lessee the land described below, including all interests therein Lessor may acquire by operation of law, reversion or otherwise, (herein called "said land"), exclusively, for the purposes of exploring by geophysical and other methods, drilling, mining, operating for and producing oil and/or gas, together with all rights, privileges and easements useful or convenient in connection with the foregoing and in connection with treating, storing, caring for, transporting and removing oil and/or gas produced from said land or any other land adjacent thereto, including but not limited to rights to lay pipelines, build roads, drill, establish and utilize wells and facilities for disposition of water, brine or other fluids, and for enhanced production and recovery operations, and construct tanks, power and communication lines, pump and power stations, and other structures and facilities. Said land is in the County of \_\_\_\_\_, State of Indiana, and is described as follows:

See Exhibit "A" attached hereto and made a part hereof.

containing \_\_\_\_\_ acres, more or less, and all lands and interests therein contiguous or appurtenant to the land specifically described above that are owned or claimed by Lessor, or to which Lessor has a preference right of acquisition, including but not limited to all lands underlying all alleys, streets, roads or highways and all riparian or submerged lands along and/or underlying any rivers, lakes or other bodies of water. The term "oil" when used in this lease shall mean crude oil and other hydrocarbons, regardless of gravity, produced at the well in liquid form by ordinary production methods, including condensate separated from gas at the well. The term "gas" when used in this lease shall mean hydrocarbons produced in a gaseous state at the well (not including condensate separated from gas at the well), helium, nitrogen, carbon dioxide and other gases.

2. It is agreed that this lease shall remain in force for a primary term of **five (5) years** from the date of this lease, and as long thereafter as operations are conducted upon said land or on lands pooled or unitized therewith with no cessation for more than 90 consecutive days; provided, however, that in no event shall this lease terminate unless production of oil and/or gas from all wells located on said land, or on lands pooled or unitized therewith, has permanently ceased. If operations commenced during the primary term are discontinued less than 90 days before the end of the term, this lease shall not terminate at the end of the primary term if operations are again conducted within 90 days after the discontinuance. Whenever used in this lease the word "operations" shall refer to any of the following and any activities related thereto: preparing location for drilling, drilling, testing, completing, equipping, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil and/or gas, and production of oil and/or gas whether or not in paying quantities.

3. Lessee covenants and agrees to pay the following royalties: (a) To deliver to the credit of Lessor into tank reservoirs or into the pipeline to which Lessee may connect its wells, one-eighth of the oil produced and saved from said land, Lessor's interest to bear one-eighth of the cost of treating oil to render it marketable pipeline oil, or from time to time, at the option of Lessee, Lessee may sell the oil produced and saved from said land and pay Lessor one-eighth of the net amount realized by Lessee, computed at the wellhead; (b) To pay Lessor on gas produced from said land (1) when sold by Lessee, one-eighth of the net amount realized by Lessee, computed at the wellhead, or (2) when used by Lessee for purposes other than those specified in Paragraph numbered 7 of this lease, one-eighth of the net market value at the wellhead of the gas so used. As used in this lease, the term "net amount realized by Lessee, computed at the wellhead" shall mean the gross proceeds received by Lessee from the sale of oil and gas minus post-production costs incurred by Lessee between the wellhead and the point of sale, and the term "net market value at the wellhead" shall mean the current market value (at the time of production) of the gas at a market point where gas produced in the general area is commonly purchased and sold, minus the post-production costs that would be incurred by Lessee between the wellhead and such market point in order to realize that market value. As used in this lease, the term "post-production costs" shall mean all cost and expense of (a) treating and processing oil and/or gas to separate and remove non-hydrocarbons including but not limited to water, carbon dioxide, hydrogen sulfide and nitrogen, and (b) separating liquid hydrocarbons from gas, other than condensate separated at the well, and (c) transporting oil and/or gas, including but not limited to transportation between the wellhead and any production or treating facilities, and transportation to the point of sale, and (d) compressing gas for transportation and delivery purposes, and (e) metering oil and/or gas to determine the amount sold and/or the amount used by Lessee for purposes other than those specified in Paragraph numbered 7 of this lease, and (f) sales charges, commissions and fees paid to third parties (whether or not affiliated) in connection with the sale of the gas, and (g) any and all other costs and expenses of any kind or nature incurred in regard to the gas, or the handling thereof, between the wellhead and the point



**EXHIBIT "C"**  
**Sample Oil and Gas Lease Utilized in Vicinity**

**OIL AND GAS LEASE**  
**(PAID UP)**

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1. Lessor, for and in consideration of ten dollars (\$ 10.00), and the covenants and agreements of the Lessee hereinafter contained, the receipt and sufficiency of which is hereby acknowledged, does hereby grant, lease and let unto Lessee the land described below, including all interests therein Lessor may acquire by operation of law, reversion or otherwise, (herein called "said land"), exclusively, for the purposes of exploring by geophysical and other methods, drilling, mining, operating for and producing oil and/or gas, together with all rights, privileges and easements useful or convenient in connection with the foregoing and in connection with treating, storing, caring for, transporting and removing oil and/or gas produced from said land or any other land adjacent thereto, including but not limited to rights to lay pipelines, build roads, drill, establish and utilize wells and facilities for disposition of water, brine or other fluids, and for enhanced production and recovery operations, and construct tanks, power and communication lines, pump and power stations, and other structures and facilities. Said land is in the County of \_\_\_\_\_, State of Indiana, and is described as follows:

See Exhibit "A" attached hereto and made a part hereof.

containing \_\_\_\_\_ acres, more or less, and all lands and interests therein contiguous or appurtenant to the land specifically described above that are owned or claimed by Lessor, or to which Lessor has a preference right of acquisition, including but not limited to all lands underlying all alleys, streets, roads or highways and all riparian or submerged lands along and/or underlying any rivers, lakes or other bodies of water. The term "oil" when used in this lease shall mean crude oil and other hydrocarbons, regardless of gravity, produced at the well in liquid form by ordinary production methods, including condensate separated from gas at the well. The term "gas" when used in this lease shall mean hydrocarbons produced in a gaseous state at the well (not including condensate separated from gas at the well), helium, nitrogen, carbon dioxide and other gases.

2. It is agreed that this lease shall remain in force for a primary term of **five (5) years** from the date of this lease, and as long thereafter as operations are conducted upon said land or on lands pooled or unitized therewith with no cessation for more than 90 consecutive days; provided, however, that in no event shall this lease terminate unless production of oil and/or gas from all wells located on said land, or on lands pooled or unitized therewith, has permanently ceased. If operations commenced during the primary term are discontinued less than 90 days before the end of the term, this lease shall not terminate at the end of the primary term if operations are again conducted within 90 days after the discontinuance. Whenever used in this lease the word "operations" shall refer to any of the following and any activities related thereto: preparing location for drilling, drilling, testing, completing, equipping, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil and/or gas, and production of oil and/or gas whether or not in paying quantities.

3. Lessee covenants and agrees to pay the following royalties: (a) To deliver to the credit of Lessor into tank reservoirs or into the pipeline to which Lessee may connect its wells, one-eighth of the oil produced and saved from said land, Lessor's interest to bear one-eighth of the cost of treating oil to render it marketable pipeline oil, or from time to time, at the option of Lessee, Lessee may sell the oil produced and saved from said land and pay Lessor one-eighth of the net amount realized by Lessee, computed at the wellhead; (b) To pay Lessor on gas produced from said land (1) when sold by Lessee, one-eighth of the net amount realized by Lessee, computed at the wellhead, or (2) when used by Lessee for purposes other than those specified in Paragraph numbered 7 of this lease, one-eighth of the net market value at the wellhead of the gas so used. As used in this lease, the term "net amount realized by Lessee, computed at the wellhead" shall mean the gross proceeds received by Lessee from the sale of oil and gas minus post-production costs incurred by Lessee between the wellhead and the point of sale, and the term "net market value at the wellhead" shall mean the current market value (at the time of production) of the gas at a market point where gas produced in the general area is commonly purchased and sold, minus the post-production costs that would be incurred by Lessee between the wellhead and such market point in order to realize that market value. As used in this lease, the term "post-production costs" shall mean all cost and expense of (a) treating and processing oil and/or gas to separate and remove non-hydrocarbons including but not limited to water, carbon dioxide, hydrogen sulfide and nitrogen, and (b) separating liquid hydrocarbons from gas, other than condensate separated at the well, and (c) transporting oil and/or gas, including but not limited to transportation between the wellhead and any production or treating facilities, and transportation to the point of sale, and (d) compressing gas for transportation and delivery purposes, and (e) metering oil and/or gas to determine the amount sold and/or the amount used by Lessee for purposes other than those specified in Paragraph numbered 7 of this lease, and (f) sales charges, commissions and fees paid to third parties (whether or not affiliated) in connection with the sale of the gas, and (g) any and all other costs and expenses of any kind or nature incurred in regard to the gas, or the handling thereof, between the wellhead and the point

of sale. Lessee may use its own pipelines and equipment to provide such treating, processing, separating, transportation, compression and metering services, or it may engage others to provide such services; and if Lessee uses its own pipelines and/or equipment, post-production costs shall include reasonable depreciation and amortization expenses relating to such facilities, together with Lessee's cost of capital and a reasonable return on its investment in such facilities. Prior to payment of royalty, Lessor shall execute a Division Order certifying Lessor's interest in production. Lessee may pay all taxes and fees levied upon the oil and gas produced, including, without limitation, severance taxes and privilege and surveillance fees, and deduct a proportionate share of the amount so paid from any monies payable to Lessor hereunder.

4. If any well, capable of producing oil and/or gas, whether or not in paying quantities, located on said land or on lands pooled or unitized with all or part of said land, is at any time shut in and production therefrom is not sold or used off the premises, nevertheless such shut-in well shall be considered a well producing oil and/or gas and this lease will continue in force while such well is shut in, notwithstanding expiration of the primary term. In lieu of any implied covenant to market, Lessee expressly agrees to market oil and/or gas produced from Lessee's wells located on said land or on land pooled or unitized therewith, but Lessee does not covenant or agree to reinject or recycle gas, to market such oil and/or gas under terms, conditions or circumstances which in Lessee's judgment are uneconomic or otherwise unsatisfactory or to bear more than Lessee's revenue interest share of the cost and expense incurred to make the production marketable. If all wells on said land, or on lands pooled or unitized with all or part of said land, are shut in, then within 60 days after expiration of each period of one year in length (annual period) during which all such wells are shut in, Lessee shall be obligated to pay or tender, as royalty, to Lessor, or to Lessor's credit in the \_\_\_\_\_ Bank, at \_\_\_\_\_, or its successors, as Lessor's agent, which shall continue as the depository regardless of changes in ownership of royalties, shut-in royalties or other money, the sum of \$1.00 multiplied by the number of acres subject to this lease, provided, however that if production from a well or wells located on said land or on lands pooled or unitized therewith is sold or used off the premises before the end of any such period or if at the end of any such annual period this lease is being maintained in force and effect other than solely by reason of the shut-in well(s), Lessee shall not be obligated to pay or tender said sum of money for that annual period. This shut-in royalty payment may be made in currency, draft or check, at the option of Lessee, and the depositing of such payment in any post office, with sufficient postage and properly addressed to Lessor, or said bank, within 60 days of the expiration of the annual period shall be deemed sufficient payment as herein provided.

5. If Lessor considers that Lessee has not complied with all its obligations hereunder, both express and implied, Lessor shall give written notice to Lessee specifically describing Lessee's non-compliance. Lessee shall have 90 days from receipt of such notice to commence, and shall thereafter pursue with reasonable diligence, such action as may be necessary or proper to satisfy such obligation of Lessee, if any, with respect to Lessor's notice. Neither the service of said notice nor the doing of any acts by Lessee in response thereto shall be deemed an admission or create a presumption that Lessee has failed to perform all its obligations hereunder. No judicial action may be commenced by Lessor for forfeiture of this lease or for damages until after said 90 day period. Lessee shall be given a reasonable opportunity after a final court determination to prevent forfeiture by discharging its express or implied obligation as established by the court. If this lease is canceled for any cause, it shall, nevertheless remain in force and effect as to (a) sufficient acreage around each well as to which there are operations, so as to constitute a drilling or maximum allowable unit under applicable governmental regulations, such acreage to be designated by Lessee in such shape as then existing spacing rules permit and (b) any part of said land included in a pooled or unitized unit on which there are operations. Lessee shall also have such easements on said land as are necessary or convenient for operations on the acreage so retained.

6. If this lease covers less than the entire undivided interest in the oil and gas in said land (whether Lessor's interest is herein specified or not), then the royalties, shut-in royalties and any extension payment pursuant to Paragraph numbered 17 below shall be paid to Lessor only in the proportion which the interest in oil and gas covered by this lease bears to the entire undivided interest therein.

7. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessee's operations hereunder, except water from the wells of Lessor. When requested by Lessor, Lessee shall bury Lessee's pipelines below plow depth. No well shall be drilled nearer than 200 feet from the house or barn now on said land without written consent of Lessor. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land. Lessee shall have the right at any time to remove all machinery and fixtures placed on said land, including the right to draw and remove casing and any other downhole equipment and fixtures.

8. Lessee is hereby granted the rights to pool or unitize said land, or any part of said land, with other lands, as to any or all minerals or horizons, to establish units containing not more than approximately 160 acres; provided, however, such units may be established so as to contain not more than approximately 640 acres as to any or all of the following: (a) gas, (b) oil produced from formations below the base of the Black River Lime and (c) oil produced from wells classified as gas wells by the regulatory agency having jurisdiction. If units larger than those permitted above, either at the time established or thereafter, are required or permitted under any governmental rule or order to drill or operate a well at a regular location, to obtain the maximum allowable from any well or for any other reason, then the maximum unit size authorized hereby shall conform to the size required or permitted by such governmental rule or order. Lessee may enlarge the unit to the maximum area permitted herein and may reform said unit to include after-acquired leases within the unit area. Lessee may create, enlarge or reform the unit or units as above provided at any time, and from time to time during the continuance of this lease, either before or after production is obtained. A unit established hereunder shall be effective for all purposes of this lease, whether or not all interests in the lands in the unit are effectively pooled or unitized. Lessee may,

but shall not be required to, drill more than one well in each unit. Lessee may reduce or terminate such unit or units at any time prior to the discovery of oil or gas on the pooled or unitized lands, or at any time after discovery subsequent to the cessation of production. Lessee may create, enlarge, reform, reduce, or terminate each unit by recording a written declaration to that effect in the office of the Register of Deeds in the county or counties in which such unit is located. Any operations conducted on any part of the lands pooled or unitized shall be deemed to be on the lands leased herein within the meaning of all provisions of this lease. Production of oil and/or gas from the unit shall be allocated to the lands described herein which are included in the unit in the same proportion as the number of surface acres in the lands described herein which are included in the unit bears to the total number of surface acres in the unit.

9. In addition to the right to pool or unitize granted to the Lessee in Paragraph numbered 8 above, for the purpose of promoting the development of hydrocarbon production from shallow formations, as hereinafter defined, Lessee is granted the right to pool or unitize the shallow formations in said land, or any part of said land with other lands, to establish a unit or units containing no more than approximately 2,560 acres. "Shallow Formations" are defined as geologic formations between the surface of the earth and the base of the Mt. Simon Sandstone Formation. All provisions of Paragraph numbered 8, including those regarding Lessee's identification of a unit, the effect of operations conducted thereon and the allocation of production from wells thereon, shall apply in the same manner to a unit formed pursuant to this paragraph for production from shallow formations, except to the extent inconsistent with this paragraph. Lessee may expand the unit to include additional lands until a maximum of 2,560 acres is included in the unit.

10. This lease is subject to laws and to rules, regulations and orders of any governmental agency having jurisdiction, from time to time in effect, pertaining to well spacing, pooling, unitization, drilling or production units, or use of material and equipment.

11. If, after the date hereof, the leased premises shall be conveyed in severalty or in separate tracts, the premises shall, nevertheless, be developed and operated as one lease, except that royalties as to any producing well shall be payable to the owner or owners of only those tracts located within the drilling unit designated by the state regulatory agency for such well and apportioned among said tracts on a surface acreage basis; provided, however, if a portion of the leased premises is pooled or unitized with other lands for the purpose of operating the pooled unit as one lease, this paragraph shall be inoperative as to the portion so pooled or unitized.

12. If Lessee is prevented from, or delayed in commencing, continuing, or resuming operations, or complying with its express or implied obligations hereunder by circumstances not reasonably within Lessee's control, this lease shall not terminate and Lessee shall not be liable in damages so long as said circumstances continue (the "period of suspension"). These circumstances include, but are not limited to the following: conflict with federal, state or local laws, rules, regulations and executive orders; acts of God; strikes; lockouts; riots; wars; improper refusal or undue delay by any governmental agency in issuing a necessary approval, license or permit applied for by Lessee; equipment failures; and inability to obtain materials in the open market or to transport said materials. If the period of suspension commences more than 90 days prior to the end of the primary term of this lease, then that period of suspension shall be added to the primary term. If the period of suspension commences less than 90 days prior to the end of the primary term or at any time after the primary term, then this lease shall not terminate if Lessee shall commence or resume operations within 90 days after the end of the period of suspension.

13. If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants and provisions of this lease shall extend to such party's heirs, devisees, legal representatives, successors or assigns. Notwithstanding any other actual or constructive knowledge of Lessee, no change in the ownership of land or assignment of royalties or other monies, or any part thereof, shall be binding on Lessee until 45 days after Lessee has received, by certified mail, written notice of such change and the originals or certified copies of those instruments that have been properly filed for record and that shall be necessary in the opinion of Lessee to establish the validity of such change of ownership or division of interest. No change or division in the ownership of said land, royalties or other monies, or any part thereof, however accomplished, shall increase the obligations or diminish the rights of Lessee, including, but not limited to, rights and obligations relating to the location and drilling of wells and the measurement of production. Upon assignment by Lessee, its successors or assigns, the assignor shall be released from, and the assignee shall assume, the responsibility to fulfill the conditions and to perform the covenants of this lease, express or implied, with regard to the interest assigned. Breach of any covenant or failure to fulfill any condition by an owner of any part of the leasehold interest created by this lease shall not defeat or affect the rights of the owner(s) of any other part.

14. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee may at any time pay all or part of any land contract, mortgage, taxes, or other liens or charges with respect to said land, either before or after maturity and be subrogated to the rights of the holder thereof, and that Lessee shall be entitled to reimbursement out of any royalty or other monies payable to Lessor hereunder. This lease shall be binding upon each party who executes it without regard to whether it is executed by all those named herein as Lessor.

15. Lessee may at any time surrender this lease as to all or any part of said land, or as to any depths or formations therein, by delivering or mailing a release to Lessor if the lease is not recorded or by placing a release of record in the proper county if the lease is recorded. If this lease is surrendered only as to part of said land, any shut-in royalties which may thereafter be payable hereunder shall be reduced proportionately.

16. All written notices permitted or required by this lease to be given Lessor and Lessee herein shall be at their respective addresses listed hereinabove, shall be by certified United States mail, and shall identify this lease by date, parties, description and recording data; provided that either party may change such notice address by giving written notice to the other party specifying the new address.



17. This lease may, at Lessee's option, be extended as to all or part of the lands covered hereby for an additional primary term of \_\_\_\_\_ years commencing on the date that the lease would have expired but for the extension. Lessee may exercise its option by paying or tendering to Lessor an extension payment of \$ \_\_\_\_\_ per acre for the land then covered by the extended lease, said bonus to be paid or tendered to Lessor in the same manner as provided in Paragraph numbered 4 hereof with regard to the payment of shut-in royalties. If Lessee exercises this option, the primary term of this lease shall be considered to be continuous, commencing on the date of the lease and continuing from that date to the end of the extended primary term. Lessee's option shall expire on the first to occur of the following: (a) the termination or expiration of this lease or (b) the second anniversary of the expiration of the primary term stated in Paragraph numbered 2 above.

Executed as of the day and year first above written.

WITNESSES:

LESSOR:

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

#### Acknowledgment

STATE OF \_\_\_\_\_ )  
 ) ss  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by

\_\_\_\_\_  
\_\_\_\_\_

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_

Notary in \_\_\_\_\_ County, \_\_\_\_\_

Notary Public

Acting in \_\_\_\_\_ County, \_\_\_\_\_

**EXHIBIT D**  
**DIVISION OF GAS INTEREST BY TRACT**

**Hammelmann D3-35HD - The East Half of Section 35, Township 5 North, Range 8 West, Vigo Township, Knox County**

Tract	Acres	Interest Owner	Type	Interest	Royalty Per Parcel	Royalty Total
<i>Leased Parcels:</i>						
100-003	20.000	Atlas Energy Indiana, LLC et. al. Byron Harting et. al.	Working Interest	87.5000	0.88841507	0.88841507
			Royalty interest	12.5000		
				100.0000		
100-005	1.400	Atlas Energy Indiana, LLC et. al. Michael Carnahan	Working Interest	87.5000	0.06218905	0.06218905
			Royalty interest	12.5000		
				100.0000		
100-011	25.000	Atlas Energy Indiana, LLC et. al. Ronald and Linda M. Hammelman	Working Interest	87.5000	1.11051883	
			Royalty interest	12.5000		
				100.0000		
100-012	15.000	Atlas Energy Indiana, LLC et. al. Ronald and Linda M. Hammelman	Working Interest	87.5000	0.66631130	
			Royalty interest	12.5000		
				100.0000		
100-013	40.000	Atlas Energy Indiana, LLC et. al. Ronald and Linda M. Hammelman	Working Interest	87.5000	1.77683014	
			Royalty interest	12.5000		
				100.0000		
400-010	0.430	Atlas Energy Indiana, LLC et. al. Edgar and Linda Miller Hammelman	Working Interest	87.5000	0.01910092	
			Royalty interest	12.5000		
				100.0000		
400-014	1.467	Atlas Energy Indiana, LLC et. al. Edgar and Linda Miller Hammelman	Working Interest	87.5000	0.06516525	0.08426617
			Royalty interest	12.5000		
				100.0000		
400-017	40.000	Atlas Energy Indiana, LLC et. al. Ronald and Linda M. Hammelman	Working Interest	87.5000	1.77683014	
			Royalty interest	12.5000		
				100.0000		
400-018	38.103	Atlas Energy Indiana, LLC et. al. Ronald and Linda M. Hammelman	Working Interest	87.5000	1.69256397	
			Royalty interest	12.5000		
				100.0000		
400-019	80.000	Atlas Energy Indiana, LLC et. al. Ronald and Linda M. Hammelman	Working Interest	87.5000	3.55366027	10.57671464
			Royalty interest	12.5000		
				100.0000		
	261.400	<i>Total Leased Acres in Pooled Unit</i>				

***Unleased Parcels:***

100-003	15.000	Kevin and Linda D. Hammelman	12.5000	0.66631130	
100-007	5.000	Kevin and Linda D. Hammelman	12.5000	0.22210377	0.88841507
	<b>20.000</b>	<b><i>Total Unleased Acres in Pooled Unit</i></b>			
	<b>281.400</b>	<b>TOTAL ACRES IN POOLED UNIT</b>			
		<b><i>Total Royalty Interest</i></b>		<b><i>12.50000000</i></b>	<b><i>12.50000000</i></b>

**EXHIBIT "E"**  
**Contact Report**

1. The Separately Owned Interest, being Tract 100-006 containing 15 acres, and Tract 100-007 containing 5 acres, is owned by Kevin L. Hammelman and Linda D. Hammelman, husband and wife ("Non-Consenting Owners").
2. Atlas representatives have contacted the Non-Consenting Owners on numerous occasions to offer the opportunity to execute an Oil and Gas Lease. The Non-Consenting Owners advised that they do not intend to execute an Oil and Gas Lease nor do they wish to be contacted again.
3. On April 20, 2009, an Atlas representative met with the Non-Consenting Owners. The following Oil and Gas Lease terms were offered:
  - a) Payment of a lease signing bonus of \$35.00 per acre
  - b) Primary term of 3 year term
  - c) Royalty interest rate of 1/8<sup>th</sup>
  - d) Lease extension option for an additional 2 years

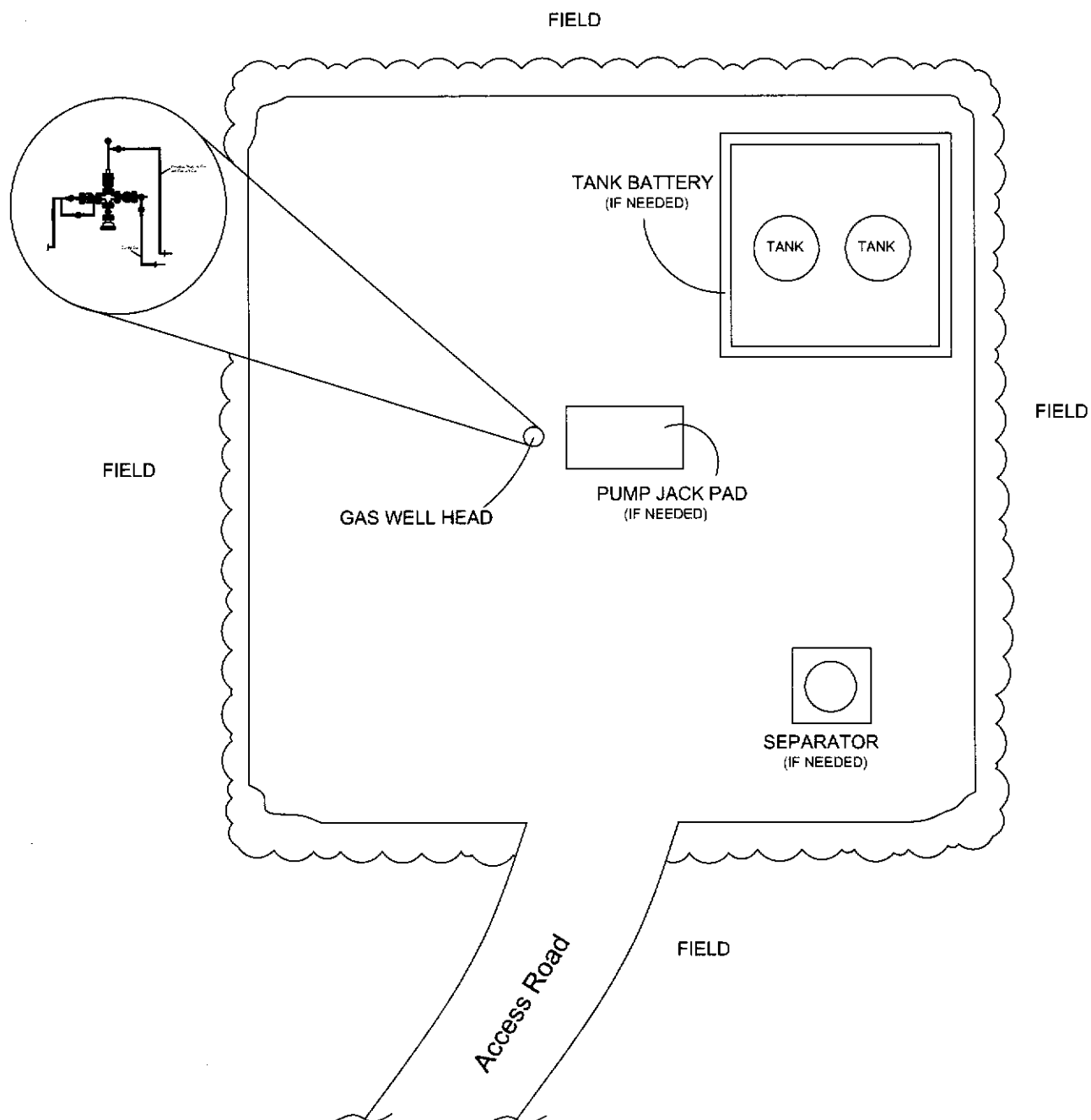
The Non-Consenting Owners agreed to meet again.

4. On April 27, 2009, a proposed Oil and Gas Lease and an order for payment regarding the lease signing bonus were provided to the Non-Consenting Owners, who did not review or discuss the lease terms at that time. Mr. Hammelman agreed to review the lease and contact the Atlas representative.
5. On May 13, 2009, Kevin Hammelman was contacted. He stated that he was very busy and was disinclined to sign the lease.
6. On June 5, 2009, an Atlas representative stopped by Kevin Hammelman's business. He stated he was not inclined to sign the lease, but he would have an attorney review the same.
7. On June 17, 2009, Atlas representatives met with Kevin Hammelman. The representatives explained, in detail, the benefits of leasing. The Non-Consenting Owner replied that he would prefer to "just be forced pooled". The lease signing bonus was increased to \$50.00 per acre for each of the 100 acres owned by the Non-Consenting Owner. Also, a Non-Developmental Oil and Gas Lease was offered for all such acreage.
8. On August 17, 2009, a final attempt was made by Atlas representatives to contact the Non-Consenting Owners. A message was left stating that a definitive answer was needed as to whether or not they would lease.
9. To date, the Non-Consenting Owners have not responded to said message or made contact with Atlas by any other means.



**Atlas Energy  
Resources, LLC**

## EXHIBIT "F"



### INDIANA Well Site Location

(TYPICAL) (NOT TO SCALE)